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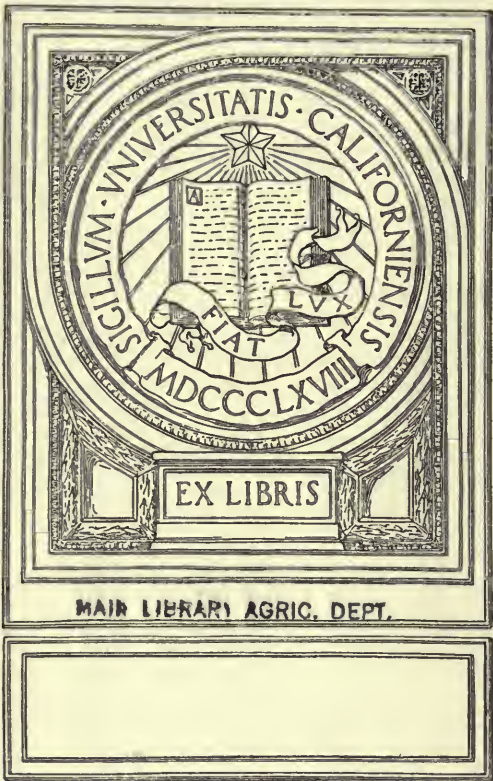
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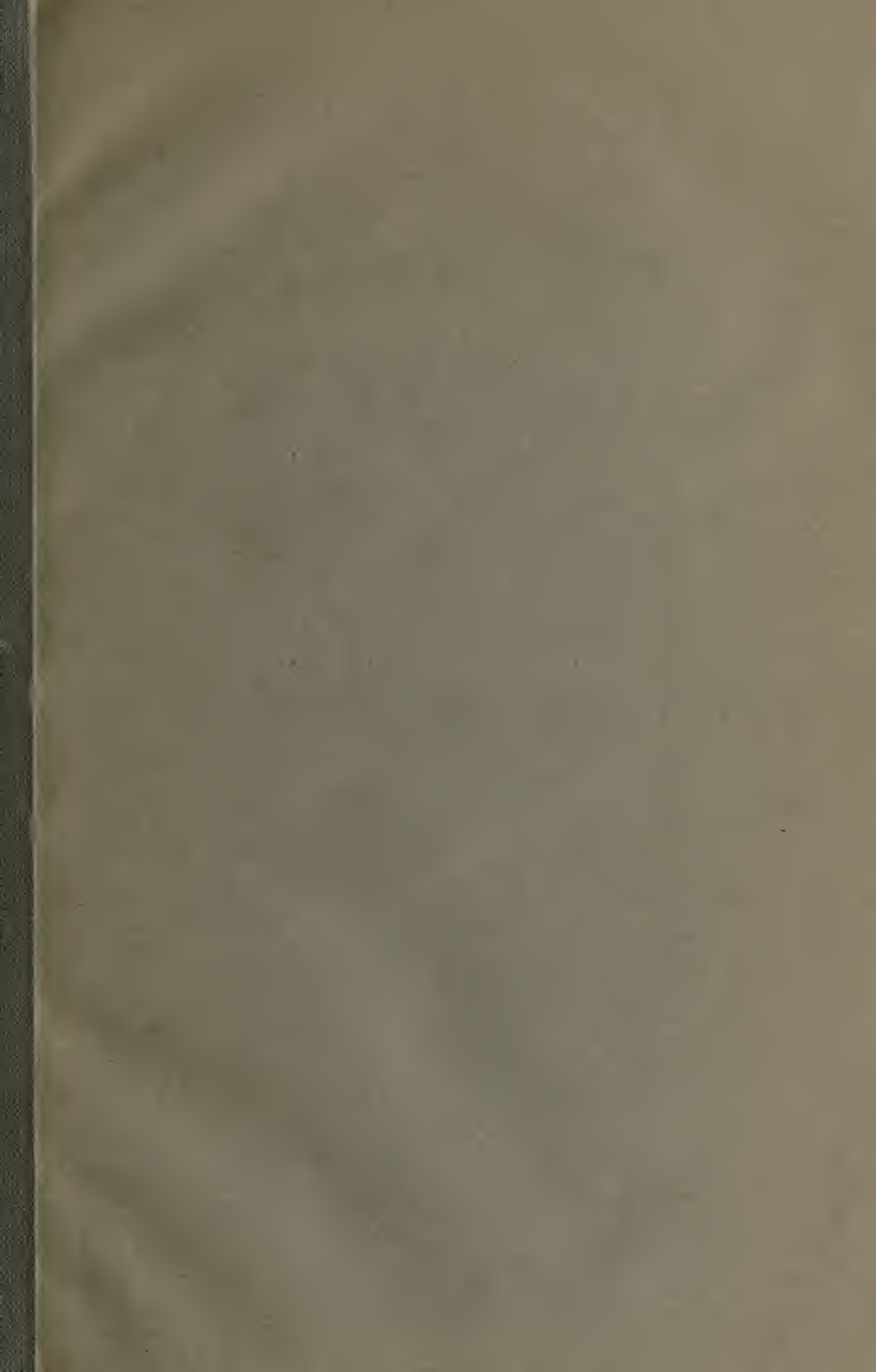


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*Agricultural  
Credit*

LAND SETTLEMENT AND RURAL CREDITS

STATEMENT OF THE NEED

FOR AN

INVESTIGATION

BY

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Investigations of Land Settlement and  
Rural Credits.

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The Act under which this Commission was appointed requires it to investigate and consider "The question of land colonization and the various forms of land banks, cooperative credit unions and other rural credit systems adopted or proposed in this country or elsewhere, with a special view to the needs of the rural communities of this state." It must make a report to the Governor on or before October 1, 1916."

The Commission believes that the first step in this investigation should be to ascertain what is needed to promote the development and prosperity of rural life in California. To this end it intends holding public hearings in different sections of the state, to which all interested in the subject are invited to attend and give evidence. These hearings will be begun in Sacramento on September 29th and will continue until the Commission feels that it is fully informed regarding the causes which are now operating to retard the settlement and improvement of the State's agricultural lands, and has given all who have suggestions to offer an opportunity to be heard.

No state has more to gain than California from improvement in methods of land settlement or from the adoption of a system of rural credits.





Notwithstanding its great natural advantages of climate, soil and wide range of products, there has come a halt in rural development. Over 1,000,000 acres of land susceptible of irrigation is uncultivated and awaiting settlement. Another million acres could be irrigated if a demand for land and water was assured.

The settlement and cultivation of these lands is needed to insure the continued growth and enduring prosperity of our cities. We ought in this state to produce more meat, butter, cheese and wool. We need more farms devoted to raising horses, cattle, hogs and sheep. The alfalfa fields need to be extended, the live stock grown thereon multiplied.

This cannot be hoped for until existing financial obstacles are removed. Interest rates must be lowered, the time for repayment of loans must be extended and more than all else there should be some organization that will give aid and direction to beginners so that unimproved land may be converted into habitable and productive farms with the least possible effort and waste of money and time. We want to attract the young, virile and ambitious. We want to keep the red blood on the farm. We are not doing these things now. A recent investigation of the University of California showed the average age of settlers in new developing districts to be about 45 years. Men ready to retire from active life buy farms -- the boys and girls flock to the cities.

A recent report issued by the United States Government shows an increase of 380,000 in the population of California,

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during the last five years. Seventy-three per cent of this increase was in cities and towns of 8,000 and over. The increase in farm population was so small as to cause anxiety and lead to a belief that changes in existing methods are desirable.

Selling land to settlers has become so difficult that commissions to land salesmen have reached the incredible figures of 25 to 30 per cent of the selling price. Reliable men engaged in the business say that even with these extraordinary commissions they are not prospering. When one considers the attractions of rural life in this state, there is no other conclusion except that this halt in development is due to vital defects in our policies.

Two such defects are plainly apparent. Both are susceptible to removal if we set about it. The first is absence of aid and advice to settlers in the purchase and improvement of farms. The second, the high interest rates, the short time of repayment of loans, and in many cases the inability to borrow money on any terms.

The farmers and settlers of California who have to borrow money pay more than double the average interest rate required of farmers in countries which have a rural credit system. Agriculture cannot develop under this handicap.

Below we give the interest rates paid by settlers in countries which have a rural credit system. They show the great disadvantages which California farmers labor under, and also make apparent what an impulse would be given to rural development if we had such a system here.





| Country   | : Rate of Interest | : Time given for |
|---|--------------------|------------------|
|   | : Per Cent         | : Repaying Loan. |
| Denmark   | : 3                | : 65 years       |
| Italy   | : 2.5              | : 50 years       |
| Holland   | : 4.7              | : -----          |
| Norway  | : 3.5              | : -----          |
| (To enable farmers to buy land, and 4% to those who own land)   |                    |                  |
| Hungary   | : 4                | : 50 years       |
| Austria   | : 4 to 4.5         | : 54½ years      |
| Russia  | : 4.5              | : 55½ years      |
| (To cover both amortization payment and cost of administration) |                    |                  |
| Germany   | : 3.5 to 4         | : 56½ years      |
| France  | : 4 to 4.5         | : 75 years       |
| (To enable young farmers to buy farms: 2.5 to 3 per cent)       |                    |                  |
| Ireland   | : 3                | : 30 to 50 years |
| Spain   | : 5 to 7           | : -----          |
| Belgium   | : 4.5              | : 30 years       |
| Switzerland   | : 4.5              | : 57 years       |

The following list includes countries with less development, less accumulated wealth, less population than the United States, and consequently less able to provide low interest rates.

| Country                               | : Rate of Interest      | : Time Given for |
|---------------------------------------|-------------------------|------------------|
|                                       | : Per Cent              | : Repaying Loan  |
| New Zealand                           | : 4                     | : 36½ years      |
| Victoria, Aus.                        | : 4.5                   | : 36½ years      |
| New South Wales                       | : 3 to 5                | : 30 to 40 yrs.  |
| Other Austral-<br>ian States          | : 4 to 5                | : 30 to 40 yrs.  |
| British and Ger-<br>man South Africa: | : 4                     | : -----          |
| Chile                                 | : 4                     | : 33 years       |
| Argentine                             | : 4                     | : -----          |
| British Columbia:                     | : 1 per cent more than  | : 36½ years      |
|                                       | : the interest on state |                  |
|                                       | : bonds                 |                  |

The farmers of California with no rural credit system pay from 6 to 12 per cent interest on loans running from 3 to 10 years, and often with excessive commissions for securing the loan or its renewal.

The introduction of rural credit systems in other countries has in every case been a financial success and a benefit to all



classes of people. It has extended the area of land cultivated; increased the acreage yield; and led to the building of better houses, to rendering the social life of the farm more attractive, has tended to keep the boys and girls on the farm and check the drift to cities and to other countries. Nowhere has it been either an agricultural or financial failure and these great results have been accomplished in each case without any disturbance or loss to the existing commercial banking institutions. Australia has, perhaps, the most liberal and most highly organized rural credit system of any country, but the introduction of this system has not injured the commercial banks. They have been more prosperous since its introduction than before, not a single bank has failed and the dividend rate last year varied from  $5\frac{1}{2}$  to 14 per cent with liberal increases in their reserves.

It is hoped that out of this investigation there will come some plan that will give the farmers of this state the same credit advantages that are enjoyed by the farmers of other countries, either through the use of the state's credit or through improvements in existing banking facilities.

It is believed that what other countries have done this state should do, and that it only requires an understanding of the subject and the cooperation of all classes to be benefited to bring about the desired results.

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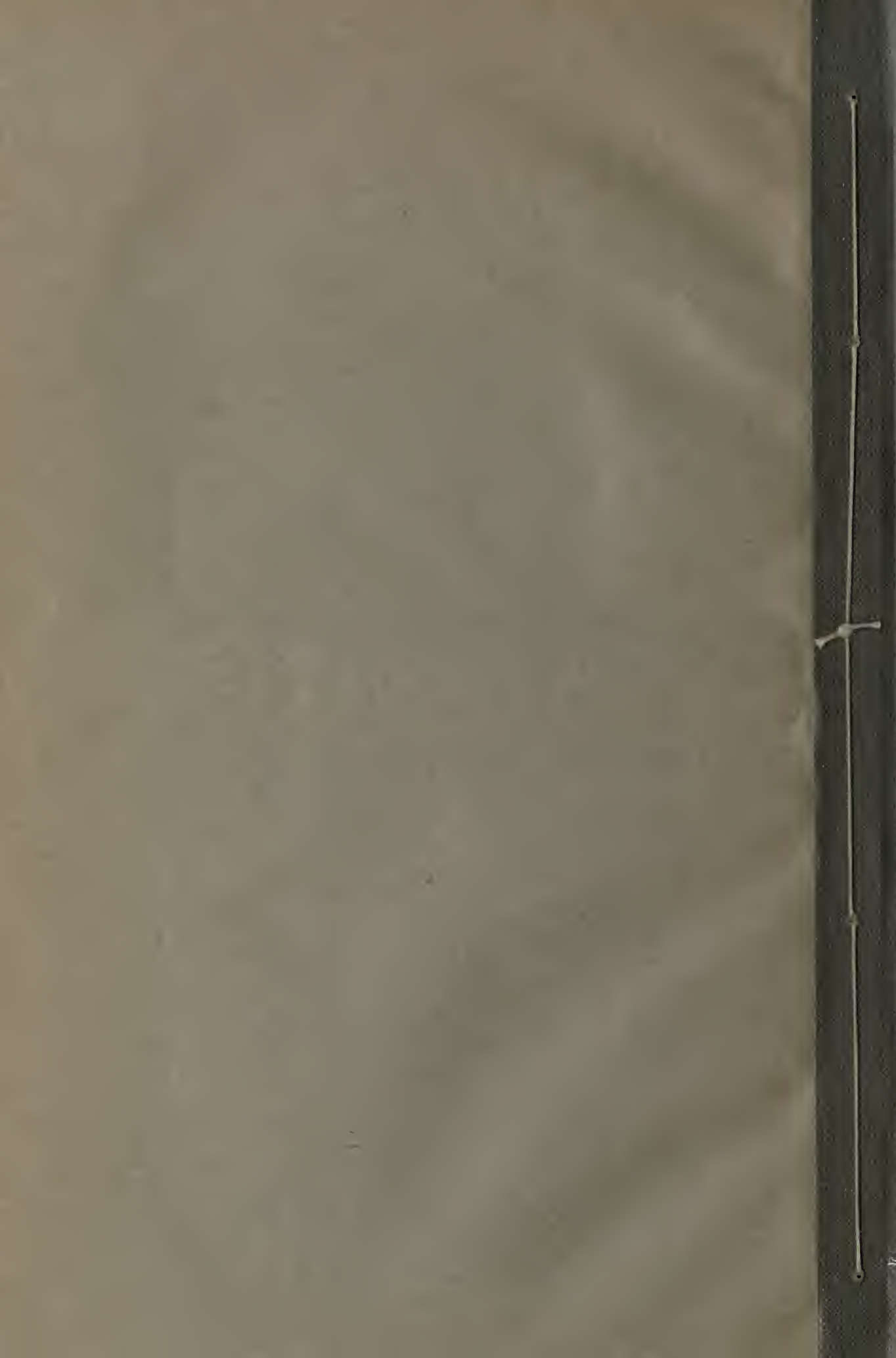
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